

# Guernsey Green Funds Initiative



## What is the Guernsey Green Funds Initiative?

Launched in July 2018, the objective of the Guernsey Green Fund is to provide a platform upon which investments into various green initiatives can be made. The Guernsey Green Fund enhances investor access to the green investment space by providing a trusted and transparent product that contributes to the internationally agreed objectives of mitigating environmental damage and climate change.

This accreditation recognises regulated funds that have dual objectives of seeking a return for investors whilst mitigating environmental damage. Any Guernsey regulated fund where 75% of its assets by value meet specified international green criteria, including investments in renewable energy, agriculture, waste and transport, can apply for the designation.

## Why is it important? / Why should managers be interested?

These aims are increasingly at the forefront of investors' minds when deciding where and with whom to invest. There has been a significantly increase in interest in ESG (Environmental, Social and Governance) considerations from both institutional investors and world governments alike, particularly in regions where there are real environmental concerns such as China.

Governments are actively encouraging and supporting ESG investing by providing fund managers with greater flexibility to raise money from sovereign wealth funds and institutions (pension funds and foundations) if they can demonstrate investments are supporting environmental goals. This is already evidenced in the US, where managers on the West Coast are investing in "Green Tech" aimed primarily at the China market.

The first set of standards to be added to the list of eligibility criteria for investments were developed by the joint finance group of multilateral development banks (the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the International Finance Corporation, World Bank from the World Bank Group and the International Development Finance Club) and provide a flexible framework for entities to adopt and provide a comprehensive understanding of what encompasses climate change mitigation. As the Principles are activity based, they do not measure the management of funds and therefore leave it to the respective parties to operate

the funds as they see fit. At this stage, the Rules set out the principles to maintain control and oversight. The GFSC (Guernsey Financial Services Commission) will continuously monitor the Principles and any other criteria that may apply. Any future updates will be subject to transitional provisions.

The different sections of the Guernsey Green Fund Rules are designed to allow flexibility to the applicant to select the sections that are most relevant to the product and its potential investors. A full list of categories, sub-categories and examples can be found on the Guernsey Financial Services Commission website.

## How Do You Achieve Accreditation?

1. Set up the fund starting with one of Guernsey's existing structure types.

Class A/B/Q Registered/ Authorised/ Closed Ended/PIF.

2. Demonstrate compliance with the Guernsey Green Fund Rules.

The Rules comprise:

Notification requirements, disclosure and reporting requirements, and compliance with the elected green criteria.

3. There are two options regarding how the fund is certified so that investors and the Commission are assured the fund is run in accordance with the Guernsey Green Fund Rules. Additionally, the governing body of a Guernsey Green Fund can voluntarily apply Environmental, Social and Governance ("ESG") Principles to the investment analysis and decision making process of the fund.

Route 1 - A third party certification that the prospectus of the fund meets the above mentioned criteria.

Route 2 - A self - certification from the designated administrator or manager that the fund meets the above mentioned green criteria.

Bolt on - Fund can voluntarily commit to adopting ESG Principles.

### How can Vistra help?

Vistra is recognised as a leading administrator in Guernsey having a presence on island for over 30 years. Our reputation is based on our ability to provide clients with high standards of corporate governance and compliance with regulatory requirements throughout the set up and launch of their funds.

Vistra worked on the first regulated Green Fund in Guernsey, approved in October 2018. Our expertise and understanding of the new accreditation means we are uniquely placed to support the application to Guernsey's regulator, the Guernsey Financial Services Commission ("GFSC"), for Guernsey Green Fund designation and provide the continuing monitoring required by a fund to maintain its compliance with the Guernsey Green Fund Rules.

### Next Steps

The GFSC are seeking to formalise further initiatives in Guernsey to develop a sustainable finance framework within the jurisdiction. There is also further product development in the pipeline including TISE and GFSC Green Insurance.

The GFSC are also engaging with the UN and FC4S (Financial Centres for Sustainability Europe).

Contact us for further information.

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Patricia White  
Managing Director

T: +44 1481 732192  
E: [patricia.white@vistra.com](mailto:patricia.white@vistra.com)

Julian Carey  
Associate Director – Client Services

T: +44 1481 754 123  
E: [julian.carey@vistra.com](mailto:julian.carey@vistra.com)

Richard Phibbs  
Funds Senior Manager

T: +44 1481 754127  
E: [richard.phibbs@vistra.com](mailto:richard.phibbs@vistra.com)